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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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EXAMINER	
WONG, ERIC TAK WAI	

ART UNIT	PAPER NUMBER
3693	

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06/18/2009	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No.	Applicant(s)	
	10/825,991	JANSSEN, SEBASTIAN	
	Examiner	Art Unit	
	ERIC T. WONG	3693	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE *3* MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *5/7/2009*.

2a)☐ This action is **FINAL**. 2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *7,9-14 and 16-22* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *7,9-14 and 16-22* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☐ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____.

DETAILED ACTION

1. Claims 7, 9-14, and 16-22 are pending. Of these claims, independent claims 7, 13, and 19 are currently amended; and claims 9-12, 14, 16-18, 20-22 were previously presented.

Claim Rejections - 35 USC § 103

2. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

3. Claims 7, 9, 13-14, and 19 rejected under 35 U.S.C. 103(a) as being unpatentable over Donahue ("The Stable Value Wrap: Insurance Contract or Derivative? Experience Rated or Not?", cited in prior Office action) in view of Scheel ("The Impropriety of Benefits-Premiums Ratios in Life Insurance Price Disclosure", *The Journal of Risk and Insurance,* Vol. 41, No. 2. (Jun., 1974), pp. 356-360, cited in prior Office action).

Regarding claims 7, 13, and 19, Donahue is reproduced in part below:

> **When a withdrawal is made, the participant receives contract value. The market value of the contract is reduced by the same amount as the contract value. This forces the ratio of contract value to market value farther from one. For example, if market value is $95 and contract value is $100, a $5 withdrawal will reduce the market to book ratio from 95% (95/100) to 94.7% (90/95). There is an additional shortfall between contract and market of .30%. If the current duration of the bond is 1.5 years at the reset date the withdrawal will have caused the credited rate to drop by 0.20%, .30% divided by 1.5 years.**

> **The essence of a non-experience-rated wrap is a transfer of funds between the issuer of the wrap and the stable value fund of an amount that will keep the market-to-contract ratio the same after a withdrawal as it was before the withdrawal. If market value is below contract value, the issuer pays the fund; if market is above contract value, the fund pays the issuers. In the example above, the issuer would have contributed $.25 to the contract's market value, so that the ratio of market value to contract value, $90.25/$95.00, would remain at 95%.**

As shown above, Donahue teaches a method to preserve the ratio of market value to contract value. The method comprises making or receiving a payment from the wrap issuer to eliminate any book/market differential caused by a participant withdrawal.

Scheel (pp. 356-357) is reproduced in part below:

> The problem with the ratio lies not so much in its parameters, but rather in a general mathematical property of ratios that makes them unreliable either as tools for life insurance price disclosure or for policy comparisons. Consider the fraction $\frac{N}{D} = k$. If a constant, c, is added to both the numerator and denominator of this fraction, the value will change by:
>
> $$\Delta = \frac{c(1-k)}{D+c} \qquad (1)$$

> When the numerator is less than the denominator and both are greater than zero (the typical case for A′ ratios), the new ratio will be greater than the original one when c > 0, i.e., △ > 0. The importance of this trivial observation is that this result may be used by insurers to manipulate the value of their A′ indexes. The result is also the reason why ratios should not be used to rank policies.

As shown above, Scheel teaches a general mathematical property of ratios, ie. if a constant, c, is added to both the numerator and denominator of a fraction, the value will change by Δ, where Δ = (c(1-k)) / (D+C). Thus, the purpose of the payment made or received by the wrap issuer in the method taught by Donahue is to compensate for Δ.

In traditional stable value products, the market value is tracked at the contract level and is not explicitly assigned to the individual insured. In certain instances, the market value of the traditional stable value fund cannot be explicitly assigned to the individual insured in consistent manner (see paragraph 6 of Specification). However, Examiner asserts that it would have been within the knowledge of one of ordinary skill in the art at the time of invention how to assign market value to the individual insured when each individual insured is identical. The examples given in the specification assume that each individual insured is identical. With such an assumption, it is only common sense that the market value of an individual insured can be obtained by merely dividing the aggregate contract market value by the number of individual insured. As noted by Applicant, in certain instances, the market value of the traditional stable value fund cannot be explicitly assigned to the individual insured in consistent manner.

However, in the case where all individual insured are identical, how to do so would have been readily apparent to one skilled in the art.

Adjusting an assessment by a ratio of stable value to market value and then applying the adjusted assessment to the stable value yields an expression **mathematically equivalent** to subtracting Δ from the new ratio, ie. both methods preserve the original ratio by compensating for Δ. Therefore, it would have been obvious to one of ordinary skill in the art at the time of invention to have modified the method of Donahue to adjust an assessment made to the stable value by the ratio of stable vale to market value before applying the assessment to said stable value in order to compensate for Δ. One skilled in the art would have been motivated to make the modification to assure stability of principal by maintaining the previous level of put exposure.

Regarding claims 9 and 14, Donahue teaches wherein said assessment is at least one of the following: policy charges, cost of insurance charges, mortality risk, death benefit payment, mortality and expense (M&E) charges, asset based fees and investment fees (see endnote 7).

4. Claims 10-12, 16-18, 20-22 rejected under 35 U.S.C. 103(a) as being unpatentable over Donahue in view of Scheel, further in view of Applicant admission of prior art.

Regarding claims 10-11, 16-17, and 20-21, Donahue teaches recognizing proceeds from a claim over an extended period of time (see p.5).

Donahue teaches pooled insurance arrangements (see p.8) but does not explicitly teach a pooled mortality arrangement. Applicant admission of prior art teaches pooled mortality arrangements with a plurality of insured. Applicant admission of prior art further teaches said proceeds represent a net amount of risk (NAR) of said death benefit claim (see paragraph 3). It would have been obvious to one of ordinary skill in the art to modify Donahue to include pooled mortality arrangements with a plurality of insured. The modification would have merely been the application of a known technique to a known method ready for improvement yielding predictable results.

Regarding claims 12, 18, and 22, Donahue teaches depositing said proceeds from the claim into said stable value investment product such that said market value of remaining insureds increases by said proceeds, but said stable value of said remaining insureds increases over time, thereby effectively increasing reset rate prospectively (see rejection of claim 1).

Response to Arguments

5. Applicant's arguments filed 5/7/2009 have been fully considered but they are not persuasive.

Applicant's argument hinges on the allegation that explicit limitations recited in Applicant's presented claims are not found in the prior art of record, (see pp. 5 of Applicant's Remarks). Here, Examiner points Applicant to MPEP 2141 "Examination Guidelines for Determining Obviousness Under 35 USC 103". In particular, this section states "Prior art is not limited just to the references being applied, but includes the understanding of one of ordinary

skill in the art. The prior art reference (or references when combined) need not teach or suggest all the claim limitations, however, Office personnel must explain why the difference(s) between the prior art and the claimed invention would have been obvious to one of ordinary skill in the art. The "mere existence of differences between the prior art and an invention does not establish the invention's nonobviousness." Dann v. Johnston, 425 U.S. 219, 230, 189 USPQ 257, 261 (1976). The gap between the prior art and the claimed invention may not be "so great as to render the [claim] nonobvious to one reasonably skilled in the art." Id .....The proper analysis is whether the claimed invention would have been obvious to one of ordinary skill in the art after consideration of all the facts. See 35 U.S.C. 103(a). Factors other than the disclosures of the cited prior art may provide a basis for concluding that it would have been obvious to one of ordinary skill in the art to bridge the gap." Here, Examiner must "ensure that the written record includes findings of fact concerning the state of the art and the teachings of the references applied. In certain circumstances, it may also be important to include explicit findings as to how a person of ordinary skill would have understood prior art teachings, or what a person of ordinary skill would have known or could have done.....In short, the focus when making a determination of obviousness should be on what a person of ordinary skill in the pertinent art would have known at the time of the invention, and on what such a person would have reasonably expected to have been able to do in view of that knowledge. This is so regardless of whether the source of that knowledge and ability was documentary prior art, general knowledge in the art, or common sense." [see MPEP 2141]. As such, the question is what one of ordinary skill in the art would have known, what he/she could have done, and what he/she would have been expected to do in

view of the prior art teachings of record, and the general knowledge in the art, without robbing him/her of common sense and logical rationale.

The prior art of record demonstrates compensating for Δ in order to preserve a ratio of contract value to market value when adding or subtracting a constant to both the numerator and denominator of a fraction representing the ratio. Whether that compensation is performed before or after the application of the assessment makes no difference since both methods are mathematically equivalent, ie. adjusting an assessment by a ratio of stable value to market value and then applying the adjusted assessment to the stable value yields an expression mathematically equivalent to subtracting Δ from the new ratio. As noted by Applicant, in certain instances, the market value of the traditional stable value fund cannot be explicitly assigned to the individual insured in consistent manner. However, the examples given in the specification assume that each individual insured is identical. With such an assumption, it is only common sense that the market value of an individual insured can be obtained by merely dividing the aggregate contract market value by the number of individual insured.

Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to ERIC T. WONG whose telephone number is 571-270-3405. The examiner can normally be reached on Monday-Friday 9:00AM-5:00PM.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James A. Kramer can be reached on 571-272-6783. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/James A. Kramer/
Supervisory Patent Examiner, Art Unit 3693

ERIC T. WONG
Examiner
Art Unit 3693

June 17, 2009